

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6690**

**BILL NUMBER:** HB 1273

**NOTE PREPARED:** Jan 8, 2015

**BILL AMENDED:**

**SUBJECT:** Marion County PSDA.

**FIRST AUTHOR:** Rep. Huston

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill contains the following provisions:

*Marion County Admissions Tax:* This bill provides that authority for the 10% rate for the Marion County Admissions Tax is extended through 2045 (rather than through February of 2023). It extends the period in current law under which the Marion County Admissions Tax applies to all events at a covered facility (rather than applying only to professional sporting events).

*Marion County PSDA:* This bill provides that the Marion County Professional Sports Development Area (PSDA) may be changed to include the site or future site of a facility or complex of facilities that includes a multipurpose stadium. It allows an additional \$5 M of state revenue to be captured each year, for 30 years, from the area added to the PSDA to include a multipurpose stadium. It provides, however, that this amount of additional state revenue that may be captured is reduced each year by the amount of Marion County Admissions Tax revenue received from events held at the facility or complex of facilities that includes a multipurpose stadium.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to compute the tax capture from the additional facilities included in the Marion County PSDA. The DOR's current level of staff and resources should be sufficient to implement the provisions within the bill. *State Budget Agency (SBA) and State Budget Committee:* Any revisions to the terms governing a PSDA must be reviewed by the State Budget Committee and approved by the SBA. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional

appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** *Marion County PSDA:* The bill allows the Marion County PSDA to expand its state tax capture area to include the site or future site of a facility or complex of facilities that includes a multipurpose stadium. Expanding the PSDA will increase the capture of state Sales and Use Tax and Individual AGI Tax attributable to taxable events or income earned within the area at the multipurpose stadium and facilities. The bill places an annual limit on the amount of state tax revenue that can be captured from the new area of the PSDA. The annual state tax revenue capture limit is \$5 M minus the Admission Tax revenue from events at the multipurpose stadium.

The bill also increases the state tax capture limit applicable to the portion of the PSDA containing the sports facilities, the convention center, and multipurpose stadium to \$21 M annually. The Marion County PSDA would be able to continue capturing state revenue attributable to the multipurpose stadium until 2046.

The net amount of state tax revenue that could be captured by the expansion of the PSDA is estimated to total \$200,000 to \$295,000 annually. The expansion of the PSDA could capture an estimated additional \$423,000 to \$814,000 in state tax revenue. Approximately \$120,000 to \$259,000 would be attributable to Individual AGI Tax and \$303,000 to \$555,000 would be attributable to state Sales and Use Tax. However, the total state tax revenue capture would be offset by the amount of Admissions Tax revenue received from events held at the multipurpose stadium, which is estimated to total between \$223,000 and \$519,000.

The revenue estimates assume the multipurpose facility will be home to a professional soccer team, hold at least two other events each year, and seat approximately 12,000 people. The estimate is based on several factors including: the attendance at Indianapolis' professional soccer games, attendance at other sporting events held within the PSDA, the operating revenue of the franchises within the PSDA, the forecasted state tax revenue captured by the PSDA, and nonsporting events held at similar venues. Actual revenue captured will depend on the size of the facility, the surrounding territory included in the tax area, the number of events held at the facility, and future attendance. In addition, increases in the Admission Tax revenue attributable to the multipurpose facility within the PSDA could further reduce the amount of state revenue distributed to the PSDA.

**Additional Information** - The Marion County PSDA is subject to two state revenue capture limits. A capture limit equal to \$16 M annually applies to the portion of the PSDA containing the sports facilities and the convention center. The first \$5 M of this revenue stream pays obligations relating to the construction of Banker's Life Fieldhouse, with the remainder paying obligations relating to the construction of Lucas Oil Stadium and the expansion of the Indiana Convention Center. A separate capture limit equal to \$8 M annually applies to the portion of the PSDA containing the following hotels: the Marriott Hotel-Downtown, Marriott Place, the Hyatt Regency Hotel, and the Westin Hotel. This revenue stream can only be used to pay operating expenses on capital improvements that are owned, leased, or operated by the Capital Improvement Board (Banker's Life Fieldhouse, the Indiana Convention Center, Lucas Oil Stadium, and Victory Field). The state revenue capture by the Marion County PSDA must cease by January 1, 2041.

In FY 2013, the portion of the Marion County PSDA containing the sports and convention facilities captured \$10.2 M in Individual AGI Tax and \$3.9 M in state Sales and Use Tax.

**Explanation of Local Expenditures:** The bill allows the local governing bodies to change the resolutions

or the terms governing the PSDA including the expansion the PSDA to include the site or future site of a multipurpose stadium. The PSDA may expand its boundaries after June 30, 2015. In addition, the bill allows the tax area to exist until December 31, 2045, provided the resolution establishing the tax area is revised.

**Explanation of Local Revenues:** *Marion County Admissions Tax:* This bill allows Marion County to continue to impose a 10% Admissions Tax for all events held at a covered facility until 2046. The bill also states that all Admission Tax revenue collected from events held at the multipurpose stadium will be distributed to the Capital Improvement Board. In FY 2014, the PSDA received \$14.2 M in Admission Tax revenue. The revenue will likely increase if more events are held at the covered facilities and ticket prices increase.

Currently, the Admission Tax rate is 10% , but it will be reduced to 6% by March 1, 2023. Also, the current statute states the Admission Tax may be imposed on all events at covered facility until 2041. After 2040, the Admission Tax only applies to sporting events at those facilities.

*Marion County PSDA:* The bill states that the Marion County PSDA may be expanded to include the site or future site of a facility or complex of facilities that includes a multipurpose stadium. If the Marion County PSDA expands, it will capture more COIT and Admissions Tax revenue. Expanding the PSDA to include a multipurpose stadium could result in an additional \$24,000 to \$52,000 in COIT and \$223,000 to \$519,000 in Admissions Tax. These estimates assume the multipurpose stadium will be home to a professional soccer team, and the stadium will seat 12,000 people. The revenue captured from those taxes will likely increase if the multipurpose stadium can attract additional events.

If the PSDA is extended to 2046, it will continue to capture local tax revenue. A precise estimate of the local tax capture beyond 2041 is indeterminable.

**State Agencies Affected:** State Budget Agency; Department of State Revenue.

**Local Agencies Affected:** Marion County.

**Information Sources:** LSA, *Fiscal Issue Brief - Indiana's Geographically Targeted Development Programs: Professional Sports and Convention Development Areas*, October, 2014.; Forbes, *NFL Team Values: The Business of Football*, August 2014; Forbes, *NBA Team Values: The Business of Basketball*, accessed on December 27, 2014; Forbes, *Minor League Baseball's Most Valuable Teams*, July 17, 2013; ESPN, *NFL Attendance - 2013*, *NBA Attendance - 2014*, accessed on December 27, 2014. Minor League Baseball, *International League: Attendance 2014*; Indy Eleven, <http://www.indyeleven.com/#>.

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